GOVERNMENT NOTICE NO. 54

FINANCIAL SERVICES ACT, 2010

(ACT NO. 26 OF 2010)

FINANCIAL SERVICES (LICENSING OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES) DIRECTIVE, 2013

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IN EXERCISE of the powers conferred by section 21 (5) of the Financial Services Act, 2010, I, CHARLES S. R. CHUKA, Registrar of Financial Institutions, make the following Directive—

PART I—PRELIMINARY

Citation

1. This Directive may be cited as the Financial Services (Licensing of Savings and Credit Cooperative Societies) Directive, 2013.

Interpretation

2.—(1) In this Directive, unless the context otherwise requires—

"applicant" means a Savings and Credit Cooperative Society (in this Directive hereinafter referred to as a "SACCO") registered under the Cooperative Societies Act for which an application for a licence to operate a SACCO has been submitted;

Cap. 47:02

"institutional capital" means the sum of—

(*a*) fully paid-up permanent and non-withdrawable member share capital;

(*b*) statutory reserves;

(*c*) retained earnings;

(*d*) current year net profits (50%) or net loss (100%); and

(*e*) capital grants and donations.

Less investments in subsidiaries.

"redeemable share capital" means member fully paid-up capital which can only be withdrawn upon cessation of membership; and

"Registrar" means the Registrar of Financial Institutions appointed under the Act.

(2) Any term used in this Directive, and which has been defined in the Act, has the meaning ascribed to that term under the Act.

PART II—OBJECTIVES

Objectives

3. The objectives of this Directive are to—

(*a*) establish licensing requirements for SACCOs;

(*b*) specify information required by the Registrar in assessing licensing applications for SACCOs; and

(*c*) ensure that SACCO licence applications are objectively and consistently evaluated.

PART III—LICENSING REQUIREMENTS

Eligibility Cap. 47:02

4. Only a SACCO incorporated under the Cooperative Societies Act and which is a member of a national association of financial cooperatives shall be eligible to apply for a licence under this Directive.

Licence application Cap. 47:02

5.—(1) A SACCO registered under the Cooperative Societies Act intending to conduct a SACCO business shall apply to the Registrar for a licence through a letter signed by the applicant.

(2) An applicant intending to conduct business as—

(*a*) a primary SACCO shall complete the application Form 1A set out in the First Schedule hereto and provide in the application all the information outlined in the Third Schedule hereto; and

(*b*) a secondary SACCO shall complete the application Form 2A set out in the Second Schedule hereto and provide in the application all the information outlined in the Third Schedule hereto.

Information to support application

6.—(1) An applicant shall provide the following information in support of the application—

(*a*) the Fit and Proper Questionnaire set out in the Third Schedule hereto for the chief executive officer, the finance manager, chief operating officer and board of directors;

(*b*) a certified copy of the SACCO's registration certificate, issued under the Cooperative Societies Act; Cap. 47:02

(*c*) a certified copy of the SACCO's by laws;

(*d*) a three year strategic and business plan of the SACCO including vision and mission statements, scope and nature of business operations, and financial projections;

(*e*) written documentation of the applicant's risk management systems, and the applicant's ability to identify, measure, monitor and control the level and types of risks assumed;

(*f*) certified minutes of the resolution of the general meeting authorizing the application for a SACCO licence;

(*g*) evidence, such as financial statements and bank statements, that the SACCO has institutional capital of not less than two million Kwacha (K2,000,000) for a primary SACCO and thirty million Kwacha (K30,000,000) for a secondary SACCO; and

(*h*) a non-refundable application fee prescribed in the Fourth Schedule hereto in form of a bank certified cheque payable to the Reserve Bank of Malawi.

(2) Where the information submitted under subparagraph (1) is not adequate, the Registrar may in writing request the applicant to submit additional information.

Amalgamation

7. Where SACCOs amalgamate, the new SACCO shall apply for a new licence.

PART IV—TRANSITIONAL ARRANGEMENTS

Approval criteria

8. In considering an application for a SACCO licence, the Registrar shall take into account the following—

(*a*) whether the applicant has submitted all the information required under paragraph 6, including additional information if need be;

(*b*) whether the applicant has fulfilled all the licensing requirements as stipulated in the Act, the Financial Cooperatives Act, 2011, and the various prudential Directives;

Act No. 8 of 2011

(*c*) whether the application is in respect of a SACCO business and its proposed activities, services and products are permissible under the existing laws;

(*d*) the applicant's business plan;

(*e*) the legal structure of the proposed SACCO;

(*f*) the applicant's demonstrated commitment to good corporate governance practices; and

(*g*) the risk management systems to be adopted.

(2) The Registrar may in writing invite an applicant for an interview; and the invitation shall state specific objectives of the interview.

Grant or denial of a licence

9.—(1) The Registrar shall communicate to the applicant the outcome of the application within sixty days of receipt of a complete application.

(2) Where the Registrar approves an application for a licence, the Registrar shall issue a licence to the applicant as set out in—

(*a*) Form 1B of the First Schedule for a primary SACCO; and

(*b*) Form 2B of the Second Schedule for a secondary SACCO.

(3) Where the Registrar has not approved an application for a licence—

(*a*) the Registrar shall communicate in writing to the applicant, the reasons for the decision; and

(*b*) the applicant may appeal to the Financial Services Appeals Committee within twenty-one working days of receiving the communication.

PART V—POST APPROVAL PROCESS

Commencement of business

10.—(1) A licensed SACCO shall commence business within twelve months from the date of the issuance of its licence.

(2) The licence shall automatically expire if the SACCO fails to commence business within twelve months from the date of the issuance of its licence.

PART VI—TRANSITIONAL ARRANGEMENTS

Transitional arrangements

11. A SACCO with a provisional licence issued by the Registrar shall apply for a licence by 30 September, 2014.

FIRST SCHEDULE (para. 5 (2) (*a*))

FORM 1A—APPLICATION FORM FOR A LICENCE TO CARRY OUT PRIMARY SACCO BUSINESS IN MALAWI

(Where space provided is not enough, please provide the extra information on additional sheets).

1. Name of SACCO: .....

2. Type of SACCO applied for, tick one—

☐ Employee SACCO

☐ Community SACCO

☐ Nationwide SACCO

☐ Other (specify).....

3. Physical address of head office: .....

.....

4. Postal address: .....

.....

Telephone Number: .....

5. Present legal structure: .....

.....

Date of registration: .....

Registration number: .....

6. Names of places of business in Malawi and start date and the number of years each place of business has been established and has conducted or carried out business:

Place of Business	*Start Date*	*Years in Operation*
1.		
2.		
3.		
4.		
5.		
6.		

Former name(s) by which the institution has been known: .....

7. Details of Capital—

(*a*) institutional capital.....

(*b*) Redeemable member share capital .....

8.—(*a*) Provide the following for each director—

Name: .....

Nationality: .....

Address: .....

Other Directorship: .....

Date of Appointment: .....

(*b*) Provide the following for each of the executive officers—

Name: .....

Designation: .....

Nationality: ..... Age: .....

Academic or professional qualifications and year obtained: .....

.....

.....

Details of previous employment:

Date of appointment: .....

Position held and responsibilities: .....

9. Borrowings: provide details of the following—

Name of lending institution: .....

Type of facility: .....

Date of offer: .....

Terms of offer: .....

Security offered: .....

Value of security: .....

Current outstanding balance: .....

10. Bankers:

Name of Banker	*Address*	*Details of Bank Account*
1.		
2.		
3.		
4.		

11. Does the SACCO hold, or has it ever held any authority from a supervisory body to carry out any business activity in Malawi or elsewhere?

☐ Yes

☐ No

If yes, give particulars: .....

.....

If any such authority has been revoked, give particulars: .....

.....

12. Has the SACCO been put under receivership in the past or made any compromise or arrangement with its creditors in the past or otherwise failed to satisfy creditors in full?

☐ Yes

☐ No

If yes, give particulars: .....

13. Is an inspector or other authorized officer of any government ministry, department or agency, professional association or other regulatory body investigating or has such an investigation ever previously taken place into the affairs of the SACCO?

☐ Yes

☐ No

If yes, give particulars: .....

14. Is the SACCO currently engaged or does it expect to be involved in any litigation which may have a material effect on the resources of the institution?

☐ Yes

☐ No

If yes, give particulars: .....

15. Is the institution engaged or does it expect to be engaged in any business relationship with any of its officers or significant shareholders?

☐ Yes

☐ No

If yes, give particulars: .....

16. Financial Services:

(*a*) list and briefly describe current and envisaged financial products:

Financial Product	*Decription*

(*b*) describe the methodologies of delivering products and services:

.....

.....

.....

(*c*) describe polices for monitoring and recovering delinquent loans:

.....

.....

.....

17. Enclose a cheque for MK150,000 being fee payable for the application of the licence.

Declaration:

We, the undersigned, being Directors of the institution, declare that to the best of our knowledge and belief, the information contained herein is complete and accurate.

Name: .....

Director

Signature: ..... Date: .....

Name: .....

Director

Signature: ..... Date: .....

Name: .....

Director

Signature: ..... Date: .....

FORM 1B

PRIMARY SACCO LICENCE (para. 9 (2) (*a*))

Licence No.: .....

REGISTRAR OF FINANCIAL INSTITUTIONS

PRIMARY SACCO LICENCE

(Issued under the Financial Services Act, 2010)

I hereby certify that: ..... is authorized to

(*Name of SACCO*)

operate a Primary Savings and Credit Cooperative in Malawi.

This licence is issued subject to provisions of the Financial Services Act, 2010, and Financial Cooperatives Act, 2011, the directives and regulations there under and any conditions endorsed hereon.

CONDITIONS:

1. .....

2. .....

3. .....

4. .....

Name: ..... Signature: .....
(*Registrar*)

Date: .....

APPLICATION FORM FOR A LICENCE TO CARRY OUT SECONDARY SACCO BUSINESS IN MALAWI

(Where space provided is not enough, please provide the extra information on additional sheets).

1. Name of SACCO: .....

2. Physical Address of Head Office: .....

   .....

3. Postal Address: .....

   .....

   Telephone Number: .....

4. Present Legal Structure: .....

   .....

5. Date of registration: .....

   Registration number: .....

6. Names of places of business in Malawi and start date and the number of years each has been established and has conducted or carried out business:

Place of business	*Start date*	*Years in operation*
1.		
2.		
3.		
4.		
5.		
6.		

7. Former name(s) by which the institution has been known: .....

.....

8. Details of primary SACCOs that make up the secondary SACCO:

Name of primary SACCO	*Licence number*
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	
13.	
14.	
15.	

9. Details of capital—

(*a*) institutional capital .....

(*b*) redeemable member share capital: .....

10.—(*a*) Provide the following for each of the directors—

Name: .....

Nationality: .....

Address: .....

Other directorship: .....

Date of appointment: .....

(*b*) Provide the following for each of the executive officers—

Name: .....

Designation: .....

Nationality: ..... Age: .....

Academic or professional qualifications and year obtained: .....

.....

.....

Details of previous employment:

Date of appointment: .....

Position held and responsibilities: .....

11. Borrowings: provide details of the following—

Name of lending institution: .....

Type of facility: .....

Date of offer: .....

Terms of offer: .....

Security offered: .....

Value of security: .....

Current outstanding balance: .....

12. Bankers:

Name of banker	*Address*	*Details of bank account*
1.		
2.		
3.		
4.		

13. Does the SACCO hold, or has it ever held any authority from a supervisory body to carry out any business activity in Malawi or elsewhere?

☐ Yes

☐ No

If yes, give particulars: .....

If any such authority has been revoked, give particulars: .....

.....

14. Has the SACCO been put under receivership in the past or made any compromise or arrangement with its creditors in the past or otherwise failed to satisfy creditors in full?

☐ Yes

☐ No

If yes, give particulars: .....

15. Is an inspector or other authorized officer of any government ministry, department or agency, professional association or other regulatory body investigating or has such an investigation ever previously taken place into the affairs of the SACCO?

☐ Yes

☐ No

If yes, give particulars: .....

16. Is the SACCO currently engaged or does it expect to be involved in any litigation which may have a material effect on the resources of the institution?

☐ Yes

☐ No

If yes, give particulars: .....

17. Is the institution engaged or does it expect to be engaged in any business relationship with any of its officers or significant shareholders?

☐ Yes

☐ No

If yes, give particulars: .....

18. Financial services—

(*a*) list and briefly describe current and envisaged financial products:

Financial Product	*Description*

(*b*) describe the methodologies of delivering products and services: .....

.....

.....

.....

(*c*) describe polices for monitoring and recovering delinquent loans: .....

.....

.....

.....

19. Please attach a cheque for MK300,000 being the fee payable for the application for the licence.

DECLARATION:

We, the undersigned, being Directors of the institution, declare that to the best of our knowledge and belief, the information contained herein is complete and accurate.

Name: .....

Director

Signature: ..... Date: .....

Name: .....

Director

Signature: ..... Date: .....

Name: .....

Director

Signature: ..... Date: .....

SECONDARY SACCO LICENCE (para. 9 (2) (*b*))

Licence No.: .....

REGISTRAR OF FINANCIAL INSTITUTIONS

SECONDARY SACCO LICENCE

(Issued under the Financial Services Act, 2010)

I hereby certify that: ..... is authorized to operate
(*Name of SACCO*)
a Secondary Savings and Credit Cooperative in Malawi.

This licence is issued subject to provisions of the Financial Services Act, 2010, and Financial Cooperatives Act, 2011, the directives and regulations there under and any conditions endorsed hereon.

CONDITIONS:

1. .....
2. .....
3. .....
4. .....

Name: ..... Signature: .....
(*Registrar*)

Date: .....

THIRD SCHEDULE (para. 6 (1) (*a*))

FIT AND PROPER QUETIONAIRE

(Where space provided is not enough, please provide the extra information on additional sheets).

Name of Officer: .....

Proposed position in the SACCO: .....

1. Has the applicant—

(*a*) been convicted of any offence, or are there any proceedings now pending which may lead to a conviction for any offence involving fraud or dishonesty?

(If so, please provide details): .....

.....

(*b*) had judgment involving findings of fraud or other dishonesty, or violence, misrepresentation, breach of contract, breach of fiduciary duty or professional negligence given against it, in any civil proceedings, or are there any proceedings now pending that may lead to such a judgment or finding?

(If so, please provide details): .....

.....

(*c*) contravened any written law designed for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of companies or against financial loss due to the conduct of discharged or undischarged bankrupts?

(If so, please provide details): .....

.....

(*d*) had a receiver and/or manager been appointed in respect of any of the assets of the applicant?

(If so, please provide details): .....

.....

(*e*) been subjected to any form of disciplinary proceedings or action by any professional or regulatory body?

(If so, please provide details): .....

.....

2. Attach a copy of the applicants *Curriculum Vitae.*

FOURTH SCHEDULE (para. 6 (1) (*h*))

FEES PAYABLE BY PRIMARY AND SECONDARY SACCOS

	Primary SACCO	*Secondary SACCO*
Licence application fee	K150,000	K 300,000

Made this 13th day of November, 2013.

C. S. R. CHUKA
Registrar of Financial Institutions